

Four P Equipment, Inc.

JohnC Anderson to: Denise Roberts

Cc: Randy Schademann

05/03/2010 10:01 AM

Denise,

Based on the information supplied to me ABEL estimates that Four P Equip, Inc. has greater than a 70% probability that they can pay the current estimated clean up costs of \$700,000. I also noted from their ATP form that the owners take no salary, loans, bonus, etc. from Four P Equip, Inc. Therefore, I can only assume that they have another source of income that allows them to sustain themselves.



Four P Equip, Inc ATP.pdf

----- Forwarded by JohnC Anderson/R7/USEPA/US on 05/03/2010 09:27 AM -----

From: Randy Schademann/SUPR/R7/USEPA/US
To: JohnC Anderson/R7/USEPA/US@EPA
Date: 05/03/2010 07:34 AM
Subject: Re: Four P Equipment, Inc.

Current estimate is \$700,000...

Randy

JohnC Anderson Randy, I have been asked to do an Ability to Pa...

04/30/2010 04:48:44 PM

From: JohnC Anderson/R7/USEPA/US
To: Randy Schademann/SUPR/R7/USEPA/US@EPA
Date: 04/30/2010 04:48 PM
Subject: Four P Equipment, Inc.

Randy,

I have been asked to do an Ability to Pay analysis for Four P Equip, Inc. Can you please give me the current cost estimate?

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40337225



Superfund

Ability to Pay Analysis

C-Corporation: Tax Form 1120

Run Name: original

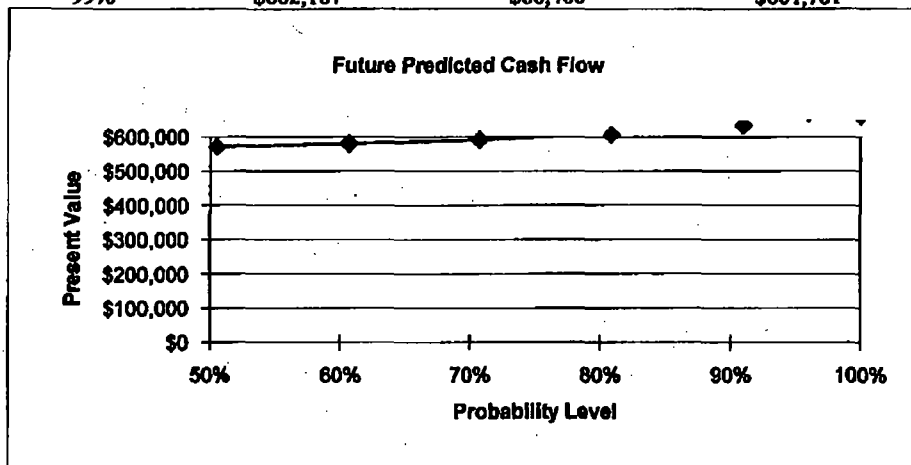
Contribution Amount (Deductible): \$100,000 (2010 dollars)

Reinvestment Rate:	0
Inflation & Discount Rates	1.7% & 7.3%
Weighted-Average Smoothing Constant:	0.3
Marginal Income Tax Rate:	39.6%
No. of Years of Considered Future Cash Flow:	5

all tabular figures expressed in Dollars

Summary of Predicted Cash Flow

Probability of Cash Flow	Total Generated After-Tax Cash Flow	After-Tax Value of Superfund Cleanup Cost	Cash Flow Net of Superfund Cleanup Cost
50%	\$571,402	\$60,400	\$511,002
60%	\$581,019	\$60,400	\$520,619
70%	\$591,935	\$60,400	\$531,535
80%	\$606,711	\$60,400	\$546,311
90%	\$634,166	\$60,400	\$573,766
95%	\$668,576	\$60,400	\$608,176
99%	\$662,181	\$60,400	\$601,781



Conclusions

(All figures are expressed as of 2010.)

- ABEL estimates a greater than 99% probability that Four P Equip., Inc. can currently afford a \$100,000 contribution (pre-tax).
- ABEL estimates a 70% probability that Four P Equip., Inc. could afford to pay a \$980,025 contribution (pre-tax).
- This is based only on cash flow the firm is projected to generate in the next 5 years.
(Additional ability to pay could follow from an examination of unnecessary expenses, assets unrelated to business operations, and/or other sources.)
- EPA typically employs the 70% probability level for determining ability to pay, but the litigation team must ultimately determine the appropriate cutoff for the case.
- For the payment schedule (which does not affect the ability to pay), 3 Yearly payments (at a 2.2% interest rate) of \$34,061 are the equivalent of the lump-sum affordable amount.